EDUCATION WEEK

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Teachers' Unions Raising Millions For Candidates

Education Groups Weigh Pros and Cons of PACs

By James Crawford

WASHINGTON—More than 100 Congressional candidates in this week's election have received $10,000 contributions—the maximum generally allowed by law—from the National Education Association Political Action Committee.

The American Federation of Teachers Committee on Political Education, though smaller than NEA-PAC, this year has far surpassed its previous fund-raising achieve-

ELECTION '86

ments, amassing a $1.3-million campaign chest by mid-October.

In the first 18 months of the 1985-86 election cycle, NEA-PAC ranked second among political-action committees in campaign contributions, according to the Federal Election Commission. The A.F.T.'s COPE ranked 48th.

Apart from the unions, however, education-advocacy groups remain largely uninvolved in campaign finance, despite the growing importance of money in American politics and the consequent expansion of PACs' influence.

By June 30, as candidates' spending in this year's Congressional races neared $200 million, PACs had contributed $71 million,

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Education, Research Are Urged To Avert AIDS 'Catastrophe'

By Marleen Nienhuis

WASHINGTON—The National Academy of Sciences last week called for a massive research-and-education campaign—one that would provide "explicit" information to schoolchildren—to prevent the spread of acquired immune deficiency syndrome and avert a "medical catastrophe."

In a 390-page report, the Academy, generally considered the nation's most prestigious scientific organization, termed existing efforts to educate the public about the disease "woefully inadequate." And it recommended that the federal government provide greater strategic planning and vastly increased funding for a more "cohesive" assault on the problem.

The Academy's report, "Confronting AIDS," followed by one week the release of a 36-page report by the U.S. Surgeon General, Dr. C. Everett Koop, recommending frank and early instruction in school sex-education courses about AIDS and its transmission.

At a press conference here last week,

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The Language Barrier

Too Many Students, Too Few Classes Hindering Efforts To Learn English

By Blake Rodman

When the Belmont Community Adult School in central Los Angeles opened its doors for registration this fall, officials were confronted with an insoluble dilemma.

Almost 9,000 prospective students—primarily recent immigrants—were waiting to enroll in the school's English-language classes. The 7,000 available spaces in those classes were taken within hours, leaving some 1,500 area residents without seats.

Administrators at the Roosevelt Community Adult School in East Los Angeles also turned away English-language students—more than 1,000, officials there say. And by the end of the first week of classes, at least six other adult schools in the city were reporting that their courses in English as a second language were full.

Adult-education officials in other U.S. cities with sizable immigrant populations, such as Houston and New York City, are reporting similar scenes. The demand for adult English-language classes

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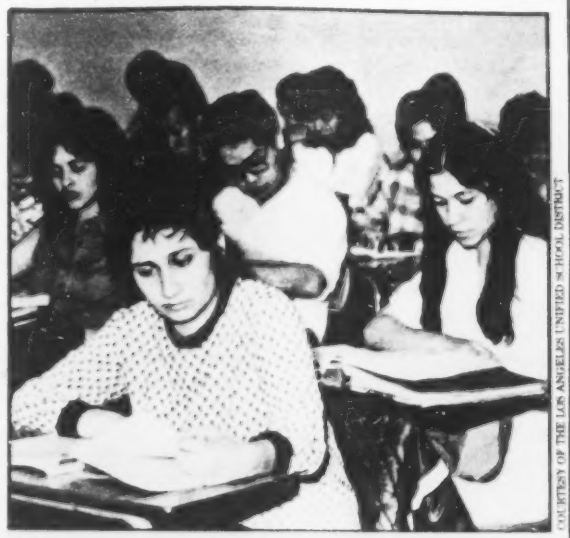

COURTESY OF THE LOS ANGELES UNIFIED SCHOOL DISTRICT

***Adult students in a Los Angeles classroom are among the rising number of non-English-speaking Americans seeking language instruction** in oversubscribed classes.*

Textbook Decision Fuels Debate on Role Of Religion in Schools, Rights of Parents

By Kirsten Goldberg

A federal district court's landmark ruling that Christian students have a right to "opt out" of public-school classes that violate their religious beliefs drew widespread praise and stinging criticism last week.

Supporters of U.S. District Judge Thomas G. Hull's decision late last month in the Church Hill, Tenn., case hailed it as a major reaffirmation of parental rights in education. But others predicted that it would undermine public education in America and have a chilling effect on the textbook-publishing industry.

Excerpts of opinion, page 18

"This ruling creates chaos in the classroom," said Lyle Hamilton, a spokesman for the National Education Association. "It adds fuel for hundreds and hundreds of different sects around the country to come forward and object to everything."

But Michael Farris, a lawyer for Concerned Women for America, a conservative lobby that provided legal assistance to the plaintiffs, countered that argument: "The other side has been saying 'chaos' at every turn, but we produced evidence that home-education programs cause no disruption."

In his Oct. 24 decision in the case, *Mozert v. Hawkins County Public Schools*, Judge Hull held that seven Church Hill families' First Amendment right to free exercise of religion was violated when county school officials gave their children the alternatives of reading offending material or leaving the school system.

The controversy began in 1983, when the fundamentalist-Christian families began scrutinizing the county's newly adopted

Continued on Page 19

Wall Street 'Frenzy' Aiding Consolidation Of Textbook Industry

By Robert Rothman

In a move that reflects the increasing consolidation of the textbook industry, officials from C.B.S. Inc. announced late last month that the company plans to sell its publishing arm—including Holt, Rinehart, & Winston—to Harcourt Brace Jovanovich Inc. for $500 million.

The sale, which would make Harcourt Brace Jovanovich the largest publisher of elementary- and secondary-school textbooks in the nation, came only three weeks after Time Inc. agreed to buy the textbook publisher Scott, Foresman, and Company.

With the completion of the two transactions, seven companies will control about 80 percent of the textbook market, according to industry officials. But the effect on schools of such consolidation, they said last week, remains an open question.

Some educators, meanwhile, expressed fears that consolidation might lower overall quality by forcing smaller publishing houses out of the market.

"Companies have to invest millions just to stay in the game," said Harriet Bernstein, a textbook expert formerly with the Council of Chief State School Officers. "If companies have to drop out because they can't afford to stay in competition, it affects us all."

In part, the recent acquisition activity indicates a desire on the part of selling companies to divest holdings by the end of the year, before the tax-law revision signed by President Reagan last month goes into effect.

The prospect of increased capital-gains taxes and elimination of tax breaks that have benefitted publishers has set off what analysts have termed a "frenzy" of merger activity on Wall Street.

But textbooks are considered a profitable

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Also in the news

Undergraduate College Called 'Troubled Institution'

In his new book *College*, Ernest L. Boyer, author of *High School*, says that the way to begin improving higher education is to strengthen its links with the schools.

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Universities Challenged To Upgrade Teacher Training

Citing a 20-year decline in interest among college freshmen in teaching careers, a new report denounces the "academic snobbery" that relegates teachers to second-class status.

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'Secular Humanism' Trial Concludes in Mobile, Ala.

The plaintiffs' lawyer, Thomas Parker, displays the offending books. For excerpts from testimony, see page:

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IN SUMMARY

Sexual Responsibility
Educating males on their responsibility in sexual relations should be a tactic in the effort to reduce the teen-age pregnancy rate, foundation representatives are told. **Story on Page 5.**

Training Teachers
A Minnesota task force is calling for a greater emphasis on the liberal arts in teacher education and the creation of a supervised induction period for the state's beginning teachers. **Story on Page 13.**

Promoting Self-Esteem
In an effort to reduce social problems, California lawmakers have established a panel to examine data on the link between how people view themselves and the way they treat others. **Story on Page 13.**

A Federal Initiative
In what officials say is its first initiative on "teacher quality," the U.S. Education Department plans to solicit bids within the next few weeks for a study on the working conditions of teachers. **Story on Page 15.**

Tax-Law Limits
The new federal tax-revision law puts strict limits on school districts' use of tax-exempt bonds, including restrictions on the "private use" of school facilities financed by such bonds. **Story on Page 16.**

Secretary Bennett Reacts
Taking issue with a recent court ruling, Secretary of Education William J. Bennett has criticized the notion that parents have a right to remove children from classes they disagree with. **Story on Page 19.**

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THE WEEK

NATIONAL

New Football League May Draft Teen-Agers

Organizers of a proposed professional football league are considering a rule that would allow each team to draft high-school seniors who are academically ineligible to compete at the collegiate level.

The 14 teams in the proposed spring league, called America's Football Teams, would each be permitted to draft five seniors who could not meet the requirements contained in Proposition 48, the National Collegiate Athletic Association's freshman-eligibility rule.

Under the rule, freshmen athletes in the association's Division 1-A, which comprises larger and more athletically competitive schools, may compete this year and next if they achieve specified grade-point averages in 11 core high-school courses and minimum composite scores on the Scholastic Aptitude Test or American College Testing Program.

Starting in the fall of 1988, the standard will be set at a minimum score of at least 700 on the S.A.T. or 15 on the A.C.T. and a 2.0 average in the core courses. The N.C.A.A. is expected at its convention this winter to vote on a proposal to extend the rule to schools in the less competitive Division 1-AA.

Surveys conducted this fall indicated that nearly one out of 10 seniors recruited to play college football this year failed to meet the N.C.A.A. standard. About 85 percent of those declared ineligible were black.

STATES

North Carolina Centers Appeal Ban on Spanking

Eleven church-based day-care centers are appealing a decision by the North Carolina Child Day Care Commission that proscribes the spanking or paddling of children by center personnel.

The commission last month found the 11 centers guilty of violating state rules on day-care operations. The rules, adopted last year, require a written discipline policy and prohibit corporal punishment.

Center officials are charging, however, that the commission's ruling abridges parental rights and religious freedom.

They maintain that the Bible gives them the authority to spank, citing Proverbs 22:15, which states that "foolishness is bound in the heart of a child, but the rod of correction will drive it far from him."

Timothy Thomas, a spokesman for one of the centers and chairman of the Mount Olivet Baptist Church board of directors in Raleigh, N.C., said the center has a written policy that allows spanking and paddling. Parents read it and agree to it in writing, he said.

"As a school, we feel there are times when a child needs to be spanked," Mr. Thomas said.

According to the rules promulgated by the 15-member day-care commission, however, "no child shall be handled roughly in any way, including spanking."

The church-affiliated centers have 30 days to appeal the decision to a hearing examiner, according to Ronald Penney, head of the administrative branch of the state department of human services. The examiner will make a recommendation to the commission.

If the commission's ruling is upheld, the church-based centers will take legal action, Mr. Thomas said.

Coalition in Wisconsin Offers Finance Plan

Saying that property-tax payers will "need C.P.R. [cardiopulmonary resuscitation] after they receive their tax bills in December," a coalition of teachers, farmers, real-estate agents, and others has called for an end to the use of property taxes to finance precollegiate education in Wisconsin.

The newly formed Coalition for Property Tax Reform, in a plan released last month, proposes that public schools in the state be financed by new revenue sources and the reallocation of existing state funds.

Under the proposal, use of property taxes to support K-12 and vocational education would be discontinued. To replace that source of revenue, the state income tax would be increased by 1.45 percent and school districts would be granted the authority to levy local personal-income taxes.

The coalition plans to present its proposal to the legislature when it convenes in January.

If the plan is adopted, about three-fourths of education funding would come from the state, and one-fourth from local, nonproperty-tax revenues.

According to a coalition spokesman, establishment of a local income tax would more equitably distribute the burden of funding education. Property taxes should be used to finance property-related services, such as police and fire protection, not schools, the group argues.

DISTRICTS

Officials Ponder Link Among Cancer Cases

Officials at a small rural school district in Washington State say they are baffled by an unexplained cluster of cancer cases among students at one of the district's elementary schools.

Since 1983, five students at Crestline Elementary School in Clark County have contracted various forms of the disease. Public-health experts, however, have been unable to detect a link among the victims.

After the first four cancer cases were diagnosed in 1983, district officials ordered an extensive series of tests of the school building and its surrounding grounds, but found no evidence of any health hazard.

Official concern eased after no new cancer cases were reported in 1984 or 1985. This year, however, after an 11-year-old Crestline student was found to be suffering from a form of bone cancer, the search was renewed.

"We have tested everything we can possibly think of," said Don Smith, assistant superintendent of the Evergreen School District. "But everything is still coming back negative."

Last month, experts armed with Geiger counters swept the building but found no traces of radioactivity, Mr. Smith said. Tests for chemical contamination have also been negative.

"We have no indication of a possible link," Mr. Smith said, noting that each of the victims had contracted a different type of cancer. "There is no medically known factor that could cause all of them," he said.

12-Year-Old Is Shot At Football Game

A 12-year-old Lexington, Ky., boy has died after being accidentally shot at a high-school football game by a 12-year-old friend carrying a loaded handgun.

It was Kentucky's third student-related shooting in three weeks, according to Joe D. Gormley, superintendent of the Woodford County public schools. Earlier, in Carlisle County, a 12-year-old boy shot and killed another boy, age 14, during an after-school fight, and in Jessamine County, a 12-year-old boy was shot by a neighbor of about the same age, though not fatally.

The superintendent of the Jessamine County schools called the string of shootings "freakish."

Ernie Trosper, principal of Hunterton Elementary School in Lexington, where both boys involved in the most recent shooting attended 6th grade, said "there was no malice" in the incident.

"It was an accidental thing," he said.

The boy has been charged with first-degree assault and released into the custody of his grandparents, with whom he lives. The .38-caliber weapon belongs to the grandfather.

According to Mr. Gormley, the boy had bragged about having the loaded gun with him during the game. It

WASHINGTON

Tax Law's Bond Limits Force Schools To Adjust

By William Montague

WASHINGTON—School-district officials may have to change their financial plans in a number of ways to comply with strict new limits on the sale and use of tax-exempt bonds.

The federal tax-revision bill signed into law by President Reagan last month will sharply limit the ability of many districts to experiment with innovative financing methods, according to Katherine Herber, a lawyer and tax lobbyist with the National School Boards Association.

Any district planning to market its securities on the tax-exempt bond market will also face significantly higher costs under the new law, she added.

"Some districts are going to find themselves between a rock and a hard place," Ms. Herber warned. "This is going to compel them to raise taxes; there simply is no other alternative."

Although the most burdensome provisions were dropped from the final compromise measure, the law still sets stringent limits on how much districts can earn through arbitrage—the use of bond revenues to make short-term, high-interest investments. Districts have commonly used such investments to offset some of the costs of floating their bonds.

The law also places complicated limits on the extent to which districts can allow "private use," by community groups and other organizations, of school facilities paid for with tax-exempt bonds.

Contract Changes Seen

According to Ms. Herber, the private-use restrictions could force districts to alter such arrangements as contracts with food-service companies and other vendors; agreements permitting the use of school facilities by city or county recreation programs; and even the public-private partnerships that many schools have entered into with local companies.

Under the new law, no more than 10 percent of the money raised with tax-exempt bonds can be used to benefit a company or other private organization. The term "benefit" is defined broadly and includes the use of school property even when the district charges rent or a user's fee.

The law applies to the activities of a broad range of entities, including companies, trade associations, charities, nonprofit groups, and the federal government.

Moreover, within the 10 percent restriction, an even lower limit is imposed on what the law describes as "unrelated" private use. This ceiling would apply to activities not re-

Continued on Following Page

New Law Curbs Tuition Plans

Some middle-income parents may need to find new ways to finance their children's college educations as a result of the federal tax-revision law passed by the Congress last month.

A little-noticed provision of that law eliminates a popular tax break that has allowed many parents to save for tuition and living costs by placing income-producing assets in their children's names.

Under the old federal tax code, parents could avoid taxes by giving assets such as stocks or bonds to their children. Income from these "custodial accounts" was then taxed at the very low tax rate applying to the child.

Parents could also set up what were known as "Clifford trusts"—revokable trusts in which the children were named as beneficiaries, with the income taxed at their low rates. After a minimum of 10 years—usually following a child's graduation—such a trust could be dissolved, with the assets reverting back to the parents.

Although statistical information is lacking, financial and education experts agreed last week that such arrangements grew in popularity during the period of high inflation of the 1970's and early 1980, which pushed many middle-income taxpayers into much higher rate brackets.

"My impression is that for middle- and upper-middle-class parents, this has become a reasonably attractive way of funding their children's education," said Sheldon Steinbach, director of governmental relations for the American Council on Education.

The new federal code, however, completely eliminates Clifford trusts and sharply limits the tax benefits of custodial accounts. Under the new law, children under the age of 14 can receive $500 annually in tax-free earnings from such accounts. Another $500 is taxed at their low rates. Additional earnings are then taxed at their parents' rates.

Children over the age of 14 can also receive $500 tax free, and any additional income will continue to be taxed at their rates. The net effect, then, will be to limit the number of years that a parent's initial gift is allowed to accumulate low-tax or no-tax income.

"When you dovetail this with the loss of the interest deduction on student loans and the increases in tuition and room and board over the last several years, you're looking at a major hit for a number of parents," Mr. Steinbach said.

—W.M.

DATABANK

E.D. Budget for Fiscal 1987

		FY 1987			
	FY 1986	President's Request	House Bill	Senate Bill	Enacted
		(in thousands)			
COMPENSATORY EDUCATION FOR THE DISADVANTAGED					
Grants for the Disadvantaged (Chapter 1):					
Grants to local educational agencies	$3,062,400	$3,261,005	$3,507,000	$3,400,000	$3,453,500
State agency programs:					
Migrants	253,149	202,519	264,524	264,524	264,524
Handicapped	143,713	150,170	150,170	150,170	150,170
Neglected and delinquent	31,214	32,616	32,616	32,616	32,616
State administration	34,076	35,607	35,607	35,607	37,107
Evaluation and technical assistance	5,020	6,246	6,246	6,246	6,246
Total, Chapter 1	**3,529,572**	**3,688,163**	**3,999,163**	**3,889,163**	**3,944,163**
Migrant education:					
High-school equivalency program	6,029	—	DEFER	6,300	6,300
College assistance migrant program	1,148	—	DEFER	1,200	1,200
TOTAL, compensatory education programs	**3,536,749**	**3,688,163**	**3,999,163**	**3,896,663**	**3,951,663**
IMPACT AID					
Maintenance and operations:					
Payments for 'a' children	490,941	513,000	513,000	533,000	533,000
Payments for 'b' children	124,410	—	130,000	65,000	130,000
Special provisions (Section 2)	21,054	20,000	22,000	22,000	22,000
Disaster assistance	29,570	10,000	10,000	10,000	10,000
Construction	16,747	5,000	25,000	20,000	22,500
TOTAL, impact aid	**682,722**	**548,000**	**700,000**	**650,000**	**717,500**
SPECIAL PROGRAMS					
Improving School Programs (Chapter 2):					
State block grants	478,500	500,000	500,000	499,000	500,000
Secretary's discretionary fund:					
Inexpensive book distribution (including RIF)	6,699	7,000	7,000	7,800	7,800
Arts in education	3,021	3,157	3,157	3,337	3,337
Alcohol and drug abuse education	2,871	3,000	14,000	3,000	3,000
Law-related education	1,914	2,000	3,000	3,000	3,000
National Diffusion Network	10,240	10,700	10,700	10,700	10,700
Rural education	—	—	4,000	—	—
Discretionary projects	2,921	3,052	3,052	—	1,500
Total, Chapter 2	**506,166**	**528,909**	**544,909**	**526,837**	**529,337**
Other Special Programs:					
Teacher training and improvement:					
State grants	—	80,000	—	—	—
Secretary's discretionary fund	—	15,000	—	—	—
Science and mathematics education	43,066	—	43,066	100,00	80,000
Training and advisory services (Civil Rights, Title IV)	22,968	—	24,000	25,000	24,000
Follow through	7,177	—	DEFER	DEFER	DEFER
Territorial teacher training assistance	1,914	—	1,914	2,000	2,000
General assistance for the Virgin Islands	4,785	—	4,785	5,000	5,000
Ellender fellowships	1,627	—	1,700	1,700	1,700
Women's educational equity	5,742	—	8,000	1,000	3,500
Magnet schools	71,775	—	75,000	75,000	75,000
Excellence in education	2,392	—	2,392	—	—
Leadership in educational administration (LEAD)	7,177	—	7,177	—	7,177
TOTAL, special programs	**687,612**	**678,909**	**710,943**	**736,537**	**727,714**
BILINGUAL EDUCATION					
Bilingual programs	90,862	99,285	99,161	94,951	99,161
Training grants	32,121	33,566	36,490	33,564	33,564
Support services	9,991	10,100	10,300	10,440	10,370
Vocational training	3,527	—	3,686	—	—
Emergency immigrant education	28,710	—	30,000	—	30,000
TOTAL, bilingual education	**165,211**	**142,951**	**179,637**	**138,955**	**173,095**
EDUCATION FOR THE HANDICAPPED					
Education for the handicapped:					
State assistance:					
State grant program	1,163,282	1,135,145	1,300,000	1,406,000	1,338,000
Preschool incentive grants	28,710	31,000	31,000	60,000	160,000
Early intervention initiative	—	—	—	100,000	50,000
Special-purpose funds:					
Deaf-blind centers	14,119	9,000	14,764	15,000	15,000
Severely handicapped projects	4,785	4,300	5,000	5,300	5,300
Early-childhood education	22,968	22,500	24,000	17,600	24,470
Educational technology and materials	—	—	—	6,870	3,500
Secondary and transitional services	6,316	6,330	6,600	7,300	7,300
Postsecondary programs	5,264	5,300	5,500	5,900	5,900
Innovation and development	16,060	16,000	16,811	18,000	18,000
Media services and captioned films	16,676	16,500	17,429	18,500	15,000
Regional resource centers	6,029	6,000	6,300	6,730	6,700
Recruitment and information	1,062	1,025	1,110	1,200	1,200
Special-education personnel development	61,154	48,000	63,906	67,700	67,730
Special studies	3,089	2,000	2,000	3,800	3,800
TOTAL, education for the handicapped	**1,349,534**	**1,303,100**	**1,494,420**	**1,741,900**	**1,741,900**

	FY 1986	FY 1987 President's Request	FY 1987 House Bill	FY 1987 Senate Bill	FY 1987 Enacted
			(in thousands)		
REHABILITATION SERVICES AND HANDICAPPED RESEARCH					
Rehabilitation services:					
Basic state grants	1,145,148	1,100,000	1,148,356	1,281,000	1,281,000
Supported employment	—	—	DEFER	25,000	22,100
Service projects:					
Special demonstration programs	19,332	14,635	DEFER	15,500	18,400
Recreational programs	2,105	—	DEFER	2,330	2,330
Migratory workers	957	950	DEFER	1,058	1,058
American Indians	1,340	715	DEFER	1,500	1,500
Projects with industry	14,547	13,000	DEFER	16,070	16,070
Helen Keller Center	4,115	4,200	4,300	4,600	4,600
Client assistance	6,412	6,300	DEFER	7,100	7,100
Independent living:					
Comprehensive services	10,527	—	DEFER	11,830	11,830
Centers	22,011	22,000	DEFER	24,320	24,320
Services for older blind people	4,785	—	DEFER	5,290	5,290
Training	25,838	15,000	DEFER	29,550	29,550
Innovation and expansion	8,613	9,000	DEFER	9,000	9,000
National Institute of Handicapped Research	41,983	39,000	DEFER	48,500	48,500
Evaluation	1,723	600	DEFER	2,110	2,110
TOTAL, rehabilitation services and handicapped research	**1,309,436**	**1,225,400**	**1,152,656**	**1,484,758**	**1,484,758**
VOCATIONAL AND ADULT EDUCATION					
Vocational education:					
Basic grants	748,738	357,158	848,000	782,381	815,000
National research and data programs	9,570	5,618	12,000	10,000	11,000
Consumer and homemaker education	30,273	—	31,633	31,633	31,633
State advisory councils	6,986	7,000	7,500	7,500	7,500
Community-based organizations	7,178	—	7,500	6,000	6,000
Bilingual vocational training	—	—	—	3,886	3,686
Adult education	97,579	104,000	110,000	101,963	105,961
TOTAL, vocational and adult education	**900,324**	**504,974**	**1,016,433**	**963,163**	**990,880**
STUDENT FINANCIAL ASSISTANCE					
Pell grants:					
Current year	3,432,262	3,000,000	DEFER	3,800,000	3,800,000
Fiscal year 1986 shortfall	146,000	250,000	DEFER	100,000	100,000
Supplemental grants	394,762	—	DEFER	412,500	412,500
Campus-based aid	—	400,000	DEFER	DEFER	DEFER
Work-study	567,023	—	DEFER	592,500	592,500
Direct loans:					
Capital	181,830	—	DEFER	188,000	188,000
Cancellations	26,796	25,000	DEFER	22,000	22,000
Income-contingent loans	—	137,568	DEFER	5,000	5,000
State student incentive grants	72,732	—	DEFER	76,000	76,000
TOTAL, student financial assistance	**4,821,405**	**3,812,568**	**DEFER**	**5,196,000**	**5,196,000**
GUARANTEED STUDENT LOANS					
TOTAL, guaranteed student loans	**3,359,875**	**2,460,250**	**3,394,000**	**3,004,000**	**3,004,000**
HIGHER EDUCATION PROGRAMS					
TOTAL, higher education	**435,663**	**261,578**	**29,500**	**454,428**	**479,128**
HIGHER EDUCATION FACILITIES LOANS AND INSURANCE					
TOTAL, higher education facilities loans and insurance	**17,891**	**19,205**	**DEFER**	**19,205**	**19,205**
COLLEGE-HOUSING LOANS, LOAN LIMITATION					
TOTAL, college-housing loans, loan limitation	**57,420**	**—**	**60,000**	**40,000**	**60,000**
EDUCATIONAL RESEARCH AND STATISTICS					
National Institute of Education	48,628	70,231	DEFER	54,831	54,831
National Center for Education Statistics	5,371	—	8,747	8,747	8,747
TOTAL, educational research and statistics	**53,999**	**70,231**	**8,747**	**63,578**	**63,578**
LIBRARIES					
Public libraries:					
Services	71,774	—	80,000	80,000	80,000
Interlibrary cooperation	17,226	—	20,000	18,000	18,000
Training and demonstrations	957	—	DEFER	1,000	1,000
Research libraries	5,742	—	DEFER	6,000	6,000
Construction	21,533	—	25,000	22,500	22,500
Literacy initiative	4,785	—	5,000	5,000	5,000
TOTAL, libraries	**122,017**	**—**	**130,000**	**132,500**	**132,500**
PAYMENTS TO SPECIAL INSTITUTIONS					
American Printing House for the Blind	5,283	5,510	5,510	5,500	5,500
National Technical Institute for the Deaf	30,624	31,360	32,000	32,000	32,000
Gallaudet College	59,335	60,737	60,737	62,000	62,000
Howard University	157,168	157,170	170,230	162,170	170,230
TOTAL, payments to special institutions	**252,390**	**254,797**	**268,477**	**261,670**	**269,730**
DEPARTMENTAL MANAGEMENT					
Salaries and expenses	224,939	241,192	241,692	234,692	234,692
Office of the Inspector General, salaries and expenses	14,654	16,378	16,378	16,378	16,378
Office for Civil Rights, salaries and expenses	41,759	38,185	38,185	44,000	43,000
TOTAL, departmental management	**281,352**	**295,755**	**296,255**	**295,070**	**294,070**
TOTAL, DEPARTMENT OF EDUCATION	**17,859,290**	**10,265,881**	**13,380,231**	**19,018,427**	**19,235,841**

SOURCE: Education Department.

Schools Adjust to Tax Changes

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lated to the educational functions of a school, such as the use of a gymnasium for a charity fund-raising event.

According to Ms. Herber, most districts should be able to live with the new limits if they renegotiate their contracts with the companies that run their cafeterias, day-care centers, or other business activities located on school property.

Under the law, such contracts will not be considered private use if they meet complicated rules that limit their longevity and forbid the use of payment systems based on profit-sharing.

"If they tailor their management contracts to come within the code, then most districts are unlikely to have a problem with the 10 percent limit," Ms. Herber predicted.

The schools most likely to be burdened by the new rules, she said, are those in rural areas, where public facilities are few and schools traditionally have been a major focus for community life. "The limits could become a real problem for them," she said.

Leasing Plans Thwarted

In all school districts, however, operating in the new world created by the federal tax revision will require business officials to pay much closer attention to how they are using their bond revenues, Ms. Herber stressed.

"Many [district officials] do not seem to realize the potential impact of these changes," she said. "This is the first time they have been confronted with the need to figure out what is and what is not private use."

At a recent conference, Ms. Herber said, she found that a number of district officials were planning to enter into so-called "sale/lease-back" agreements with private firms as a way of financing school construction. Under such an arrangement, a district uses bond revenue to build a school, then sells the building to a private company—usually a real-estate developer—and leases it back.

"There's no question that sale/lease-back is strictly 'no can do' under the new code," Ms. Herber said. "People need to be aware of that when a real-estate developer approaches them with what looks like a great plan."

Under the old tax law, she noted, such arrangements offered numerous advantages to districts, which could use them to keep their debt down and their taxes low, while not running the risk that enrollment declines would leave them with unneeded buildings.

Even seemingly minor and innocuous cases of private involvement in school facilities can cause trouble if a district already has a large amount of private use, Ms. Herber cautioned.

For example, she said, one school in Pennsylvania recently entered into a partnership agreement with a local company. In return for their volunteer work, the firm's employees were allowed exclusive use of the high school's athletic facilities on designated evenings.

Arbitrage Restrictions

"It's a great idea, and there may be no problem with it," Ms. Herber said. "But when they agree to something like that, district officials have to realize that it counts toward their 10 percent limit."

Even more complicated than the private-use rules are the arbitrage restrictions contained in the new law, financial experts have noted.

Under the previous code, districts were allowed considerable leeway to earn money with their bond revenues, especially those intended for school construction.

By investing bond revenue until it was needed, districts could earn more than they had to pay in interest to bondholders.

Districts could even generate a small surplus to cover some overhead costs, such as underwriters' fees.

The new law, however, limits that flexibility and imposes a stiff penalty for failure to comply with arbitrage restrictions. If a district violates the rules, the interest on its bonds becomes taxable, retroactive to the date they were sold.

Excess arbitrage profits must also be rebated to the U.S. Treasury.

Some school-finance experts are worried that the stringency of the penalties will increase the risks associated with school bonds, and thus lead bond buyers to demand higher interest rates.

Severe arbitrage restrictions are not warranted by the facts, argued Bruce Hunter of the American Association of School Administrators.

"I have never seen any credible evidence of arbitrage abuse by school districts," he said. "Over 50 percent of all school-bond proposals are defeated at the polls as it is, so it's not like we are floating them willy-nilly. The taxpayers are looking them over pretty hard to begin with."

Grants Target Youth Issues

WASHINGTON—The Education Department has awarded a total of $725,000 in grants to 10 public and private projects designed to address a variety of youth and school issues, including gang violence and dropout prevention.

Announced last week by Secretary of Education William J. Bennett, the awards went to projects judged to be the "most significant" from among 339 proposals submitted this year in a competition sponsored by the department's research arm, the office of educational research and improvement.

Panels of scholars and practitioners from outside the federal government chose the grant recipients, according to a department spokesman. An 18-member group assessed the projects' technological merit; an 8-member body judged the significance of the projects.

"Not all good or important research ideas come from Washington or from large centers," said Chester E. Finn Jr., assistant secretary for educational research and improvement. He said the grant winners—public and private organizations, institutions, and agencies, as well as individuals—would study "significant educational topics and problems."

Because of limited funding, the 1986 grant-award program was the first of its kind organized by the O.E.R.I. in several years, according to Eileen Nicosia, a department

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NOTE

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